



DROP FREEZE 2017 PROPOSAL

CITY OF MEMPHIS – HR DIVISION

MAY 2017

AGENDA

1. BACKGROUND
2. PROPOSAL
3. IMPACT
4. NEXT STEPS

BACKGROUND

CURRENT PROGRAM

- 25-year employee enrolls in DROP
- Pension payment is deposited in interest-bearing account during DROP term
- Employee receives account balance at completion of DROP and retirement.
- 199 current DROP participants, of which 67% are police and fire*
- 88 participants in DROP Freeze program

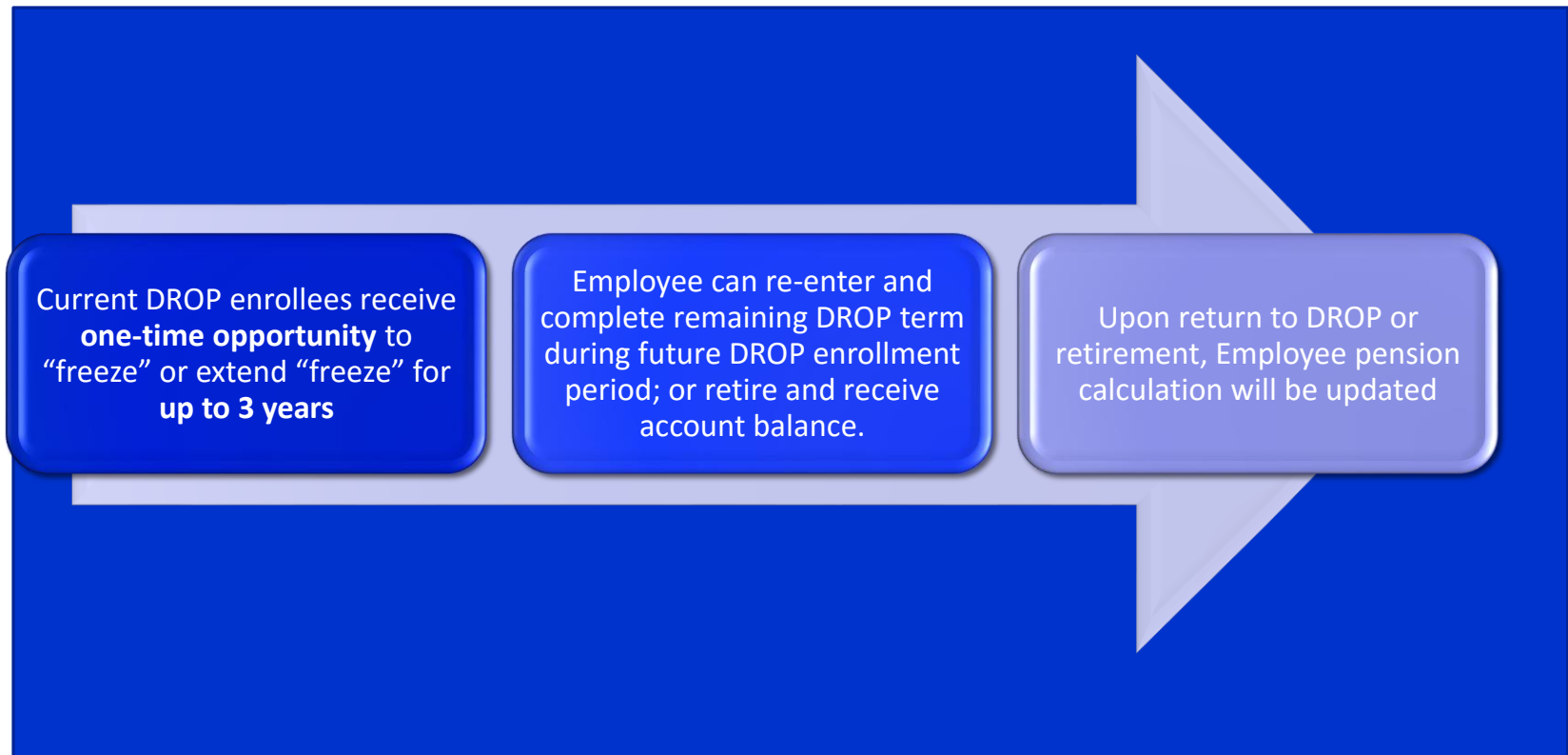
SENSE OF URGENCY

- **May 2017** - Police commissioned officers staffing: **1,944**
- **July 2017** - Police to lose another **21**, Fire to lose **10**
- **2018** - Police is scheduled to lose **40**, Fire to lose **39**

WHY DROP FREEZE?

- City retains critical public safety personnel while replenishing MPD positions
- Participants continue to serve community in critical public safety roles
- **67%** of 2017 Survey Participants would like the option to freeze/extend freeze

PROPOSED FREEZE/FREEZE EXTENSION



Proposed enrollment period will be June 15, 2017 – July 15, 2017

IMPACT

Financial

- According to PWC, any change in pension liability as a result of this DROP Freeze Program would be immaterial.

Legal

- According to the Opinion of the Law Division, this proposal is constitutionally sound.

Organizational

- Based on 2015 results, anticipate 80 – 100 participants, 70% in public safety
- Due to current police shortage, limited impact on promotions
- Limited impact on other organizations

CURRENT COMMISSIONED MPD OFFICERS

	Actual	Funded	Vacant
Director	1	1	0
Deputy Dir Of Police	1	1	0
Deputy Chief	6	6	0
Colonel	12	13	-1
Lt Colonel	21	26	-5
Major Tact	1	1	0
Major	30	41	-11
Lieutenant Tact	2	2	0
Lieutenant	186	219	-33
Sergeant	243	269	-26
Police Officer Tact	19	16	3
Police Helicopter Pilot	0	3	-3
Police LEP	0	1	-1
Police Officer II	1,366	1,666	-300
Police Officer II Prob	56	39	17
Total	1,944	2,304	-360

NEXT STEPS

- Asking for the city council to pass new ordinance
- If passed, the City will finalize communications and program will launch June 15, 2017

Appendix

2015 DROP FREEZE STATS

Division	% of Participants
Police Services	53.41%
Fire Services	26.14%
Public Works	7.95%
Park Services	5.68%
City Engineering	4.55%
Executive	1.14%
Legislative	1.14%
Grand Total	100.00%

Job Titles	# of Participants	%
Police Lieutenant	24	27.3%
Sergeant	6	6.82%
Fire Driver	6	6.82%
Fire Lieutenant	5	5.68%
Police Colonel	4	4.55%

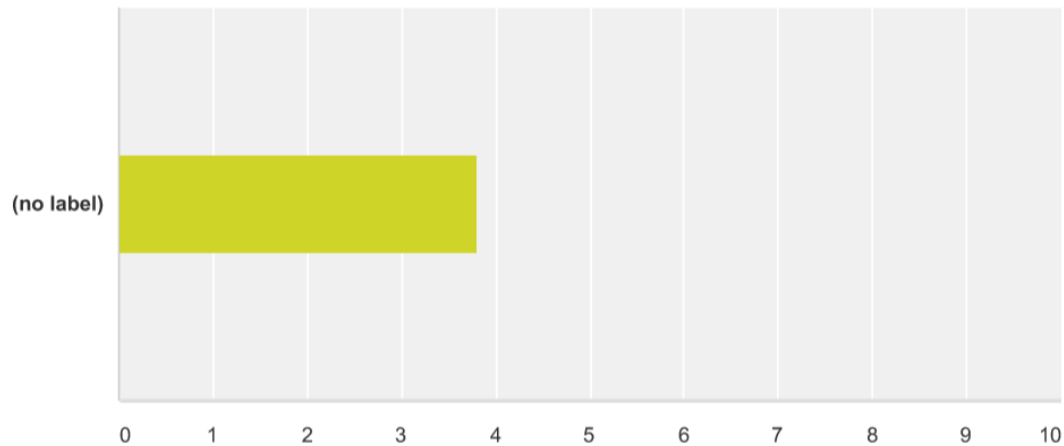
N=88

2017 SURVEY RESULTS

2017 DROP Poll

Q5 How likely are you to participate in a DROP Freeze Program if you had the option?

Answered: 106 Skipped: 0



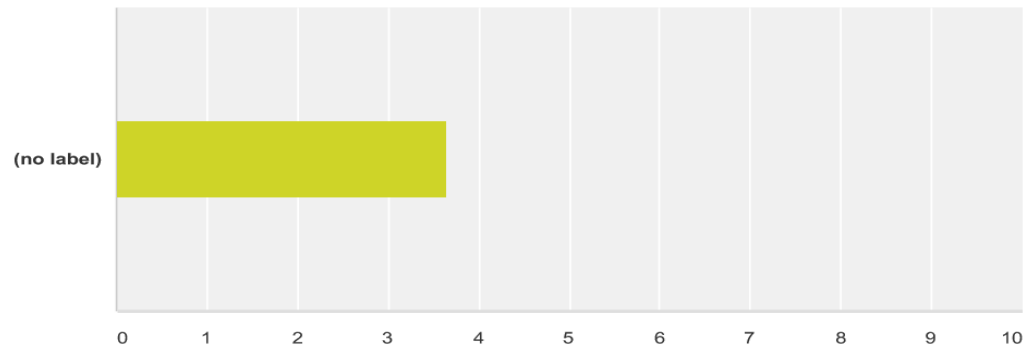
	Very Unlikely	Somewhat Unlikely	Neutral	Somewhat Likely	Very Likely	Total	Weighted Average
(no label)	16.98% 18	4.72% 5	6.60% 7	25.47% 27	46.23% 49	106	3.79

2017 SURVEY RESULTS

2017 DROP Poll

Q4 I would like the option to freeze or suspend my participation in the DROP Freeze Program. **Note: Freezing one's DROP participation means you go back to contributing to the pension plan for the period of time that you are in the program. Upon exiting the freeze, your pension is recalculated, and you can finish the amount of time remaining in the DROP. While there is a maximum on the amount of time you can be in the freeze, you may exit the freeze to re-enter the DROP at any time.**

Answered: 106 Skipped: 0



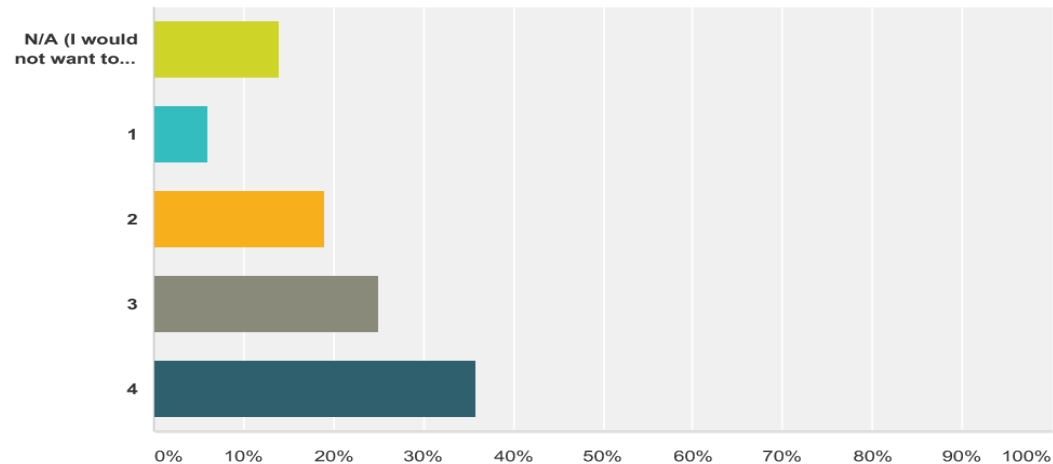
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Weighted Average
(no label)	20.75% 22	3.77% 4	7.55% 8	25.47% 27	42.45% 45	106	3.65

2017 SURVEY RESULTS

2017 DROP Poll

Q6 If you were to participate in the DROP freeze, how many years would you likely want to participate?

Answered: 100 Skipped: 6



Answer Choices	Responses	
N/A (I would not want to participate, if given the option.)	14.00%	14
1	6.00%	6
2	19.00%	19
3	25.00%	25
4	36.00%	36
Total		100

EXAMPLE

	25-Year Employee at \$50,000/year DROP Participant		25-Year Employee at \$50,000/year Non-DROP or DROP Freeze Participant	
Total City Expense	\$81,250		\$49,000	
Pension Fund	DROP Earnings (Pension Fund) No Employee Pension Contribution	\$31,250	DROP Earnings (Pension Fund)	\$0
			Employee Pension Contribution (8%)	(\$4,000)
General Fund	Base Salary (General Fund) No City Pension Contribution	\$50,000	City Pension Contribution (6%)	\$3,000
			Base Salary (General Fund)	\$50,000

NOTES:

1. If the employee is out of the DROP for 3 years their pension benefit calculation will change and they will retire with a pension of \$35,000 vs \$31,250 (above) if they remain in the DROP.
2. Filling positions more quickly through allowing employees to come out of the DROP (especially in Public Safety) will decrease overtime in the short-run.